

SACS ACCOUNTING COMMITTEE

Minutes

March 30, 2000

I. Software Update

Sherri Rowland of School Fiscal Services reviewed instructions that have been sent to those who are beta testing the 2000-01 Budget version of the SACS software. Some of the important points she made were:

- At this time, the installation of the software takes a long time. It is important that you do not become impatient and interrupt the installation process before it is finished. CDE is working with the software contractor to minimize this problem.
- The software contains a new feature for user convenience, a button to total selected data elements in the User Data Input/Review Screen. We believe that this will be a popular addition.
- The software contains two new forms: The Charter Schools Fund (Form 09) and an optional supplemental form for special education revenue allocations from a SELPA to its members.
- The Categorical Form was modified to allow reporting of Flexibility Transfers with the new Object 8998 Flexibility Transfer. This object code is only used for the allowable transfers between categorical programs, previously called the “mega-item” transfers.
- We are behind on our schedule for the validation tables due to an internal project to restructure our system. For this we apologize. The new tables should be available by the first of May. They will be frequently updated during May as testers uncover errors, but we hope that by June we will be back to our monthly update of the tables.

II. Accounting Issues

A. Special Education

A handout of 14 questions submitted by LEAs was distributed for discussion. In some cases, the questions gave rise to more questions rather than to definitive answers, as LEAs and CDE struggle with how to apply the new special education goals and functions to their daily transactions. The following issues were discussed:

1. If positions are split between resources:

- If positions are split between federal resources, or federal and other resources, the A-87 rules apply and personnel activity reports or periodic sampling is required (CSAM Part I, Procedure 407). If positions are split between state resources or state and unrestricted resources, the A-87 rules do not apply, although some sort of adequate

documentation is necessary. Because of the A-87 rules, the most critical split of salaries is between resources (Who is paying for the position?), and time documentation should probably be primarily in that field, rather than the splits between goals and splits between functions.

2. If positions are split between goals:

- Positions split between goals “require support indicating how the expenditures relate to the goals being charged” (CSAM Part II, page 195). Appropriate documentation may be a class schedule, a sampling of student hours, or a salary contract. The rules as defined in the SE form of the J380 for allocating costs between infant, severe, and non-severe populations are still appropriate for allocating costs between goals in SACS.
- The goal of a special education teacher’s salary may be based on the majority of students in the class. The salary of a special education preschool teacher who teaches a class that consists of 50% preschool age students and 50% severely disabled 5-year-olds should be split between Goal 5730 Preschool and Goal 5750 Age 5-22 Severely Disabled. If the class consists of a 70/30 ratio, it is reasonable to code the teacher’s salary to the goal of the 70%.
- If a special education student turns 5 in midyear, that student moves from a Preschool status to an Age 5-22 status. This would not affect the coding of the teacher’s salary unless a combination of birthdays materially changed the identity of the class.
- It is inappropriate to use Goal 5001 Special Education-Unspecified with an instructional function, just as it is an error to code a direct instructional cost to a Goal 0000. Support costs (such as the psychologist’s salary) can be allocated by FTE, but the cost of an adaptive PE teacher cannot. This teacher is an instructional employee and must be directly charged to the appropriate goal or goals.

3. If positions are split between functions:

- If positions are split between functions, reasonable documentation such as a wage contract or samples of time and activity reports are necessary.
- The function of a program specialist is Function 2100, Supervision of Instruction. This function may be charged to Goal 5001 and then allocated by FTE to the special education goals, or this function may be directly charged to the appropriate goals.
- A separate function for the costs of assessments is no longer required. LEAs may track the cost of assessments or IEPs in a locally defined function if they wish. The costs of psychologists or other support professionals who participate in special education assessment testing or IEPs but who are paid with unrestricted funds and coded to undistributed goals may document their time directly to the

appropriate special education goal. Otherwise, their time will be distributed to all goals, including special education goals, by FTE.

Greg Hudson of School Fiscal Services' Special Education Unit was invited to join the discussion of documenting salaries. He also commented on the changes in the transfer of unrestricted resources into special education programs. Under the old J50 model, LEAs may have had a "legally required" contribution from the unrestricted resources into their special education program. Also, under the old J50 model, the district's revenue limit was a deduct against state aid. Neither of these are now mandatory transfers. LEAs now need to look to their SELPA for the local funding plan that is in place for their area. Districts may opt to transfer their revenue limit into their special education programs or make a contribution that mirrors their old "legally required" contribution, but this is now something that is decided locally. Greg also discussed the IDEA requirement for "maintenance of effort", which requires that the amount of unrestricted funds that are contributed to special education cannot be reduced except for special circumstances.

A five-page handout detailing typical entries for transfer of special education revenue was reviewed. It was pointed out that currently special education uses three models to transfer funding:

1. The transfer of apportionment model is used to transfer state apportionment from a SELPA AU to the participating members,
 2. A pass-through model is used for the transfer of federal grants from a SELPA AU to participating members, and
 3. A transfer of taxes model is used for the transfer of property taxes.
- While these three transfers are familiar to LEAs from prior years, it is confusing to have three methods that do the same thing.

After discussion, it was decided that at our next meeting, a proposed single model will be presented for dissemination statewide for further discussion.

B. Interagency Contracts

The difference between pass-through grants, in which the responsibility for the grant is passed through to the sub-recipient, and interagency contracts was discussed. The criteria for making this distinction is not clearly defined in CSAM, and quite often one entity may believe that they have contracted for services with their grant money while the subrecipient believes they have received a pass-through of the grant. Some agreements labeled "contracts" may in essence be pass-through grants and visa versa. Independent auditors may view these "contracts" as pass-through grants for the Schedule of Expenditures of Federal Awards. Many types of funding were discussed: Forest Reserve funds, Migrant Service Contracts, Pregnant Minor programs, TUPE agreements between LEAs, and others.

The main issue is when to maintain the identity of the resource from one entity to another or when to use Resource 9010 Other Local Resources. Disagreement exists between attendees over the identification of an

interagency agreement with a locally defined resource and the main resource of the original grant.

This topic will be continued at the next SACS Accounting Committee Meeting with a draft of a list of criteria to help LEAs and CDE decide if an agreement between LEAs should be identified as a pass-through grant or an interagency contract. This discussion must also be continued at a statewide level with other organizations such as independent auditors, BASC, CASBO, and federal representative.

C. Standardized Program Reports

Julie Saylor of School Fiscal Services distributed drafts of the various experimental reports we are designing to encourage CDE program staff to use when requiring reports of LEAs. The goal is to make these reports SACS compliant so that LEAs can download their data from their general ledger into a standard form for each reportable resource. Julie related her successes as well as the huge challenges that face implementation of SACS by CDE.

D. Update of J141 Transportation Report

Joanne Chini of School Fiscal Services reviewed a detail of the proposed J 141 that will be a part of the SACS software. It was noted that LEAs will have to be consistent in the use of the proper resources as well as Function 3600 Pupil Transportation to capture the full cost of transportation. Tests of the software using the 1998-99 SACS data submitted as unaudited actuals this fall proved that LEAs are coding more to Resources 7230-7240 than should be reported in the Transportation Report, and LEAs will need to look closely at this when they download their data into the Transportation Report. The examples on pages 187-190 of CSAM Part II were written with the Transportation Report in mind.

E. SACS for Charter Schools

A new special revenue fund has been created, Fund 09 Charter Schools. The use of this fund is optional, but LEAs should consider the ramifications of using this fund vs. using their General Fund. For example, if transactions of the charter school are included in the General Fund, they will be included in the denominator for the calculation of the indirect cost rate. (This then makes it possible for charters to charge their categoricals with the approved indirect cost rate.) If the transactions of the charter are included in the General Fund, the required minimum of Reserve for Economic Uncertainties is increased, the ratio of classroom salaries to current expense might change, and other compliance tests in the Standards and Criteria are affected. If the charter schools are accounted for in the Special Revenue Fund, the indirect cost rate is not affected, nor are the Reserve for Economic Uncertainties or the classroom salaries calculation.

F. Standardized Accounting for Travel and Conference expenses

We have received several questions on how to account for reimbursements to employees for mileage and for travel and conference claims and have discovered that there is a great deal of variation as to how these reimbursements are coded. The discussion widened to cover employee reimbursement for uniforms and other service allowances. Some districts use salary object codes, some use supply object codes, and some use service object codes. After the exchange of ideas, it was decided to present a standardized procedure at the next SACS Accounting Meeting for further discussion and for dissemination statewide for opinions.

G. Restricted Lottery

The new Resource 6300 Lottery: Instructional Materials was discussed. This resource, necessitated by passage of Proposition 20, is restricted to purchases of instructional materials. It will be included in the Lottery Report.

III. Miscellaneous Topics

A. GASB 34

Peggy O'Guin of School Fiscal Services reported on the formation of an Advisory Committee consisting of representatives from various statewide organizations such as CASBO, as well as the State Controller's Office and the Department of Finance. CDE is designing a website on GASB 34 that will contain training materials, correspondence from the department, and a list of LEAs and the dates they must implement. Currently, LEAs should be thinking about searching title to property and how to begin the process of valuing their fixed assets. A letter to the field on these topics is forthcoming.

B. Implementation of SACS is proceeding well. Joanne Chini monitors the progress of LEAs in their implementation and processes waivers for deadline extensions.

C. Next meeting:

The next meeting will be May 30. We will meet in a larger room in the Dept of Education's main building at 721 Capitol Mall. Please make sure you RSVP because more people want to attend as more districts have begun implementation.